



News Release

FOR IMMEDIATE RELEASE

Ref. # **NRE2020-19**

Tecsys Reports Financial Results for First Quarter Fiscal 2021

25% growth in recurring revenue drives another record quarter

Montreal, September 10, 2020 — Tecsys Inc. (TSX: TCS), an industry-leading supply chain management software company, today announced its results for the first quarter of fiscal year 2021, ended July 31, 2020. All dollar amounts are expressed in Canadian currency and are prepared in accordance with International Financial Reporting Standards (IFRS).

First Quarter Highlights:

- Cloud, maintenance and subscription revenue increased 25% year-over-year to \$12.3 million in Q1 2021, up from \$9.8 million in Q1 2020. The increase was primarily driven by SaaS.
- SaaS Revenue in Q1 2021 was up 121% to \$3.8 million, up from \$1.7 million in Q1 2020. At July 31, 2020, contracted SaaS backlogⁱ was up 10% sequentially to \$57.0 million from \$52.0 million at April 30, 2020.
- ARRⁱ at July 31, 2020 was up 29% to \$49.3 million compared to \$38.3 million at July 31, 2019 and up 4% sequentially from April 30, 2020 on a constant currency basis.
- During Q1 2021, SaaS subscription bookingsⁱ (measured on an Annual Recurring Revenue (ARRⁱ) basis) were \$2.4 million, a 5x increase over \$0.4 million reported in Q1 2020.
- Professional services revenue was up 15% to \$11.2 million in Q1 2021 up from \$9.7 million in Q1 2020. This increase continues the sequential trend from the fourth quarter of fiscal 2020. Professional services bookings were up 90% to \$14.1 million in the first quarter of fiscal 2021 compared to \$7.4 million in the same period last year.
- Total revenue was a record \$28.1 million, 16% higher than \$24.3 million reported for Q1 2020.
- Gross margin was stable at 48% compared to the prior year and up sequentially compared to 46% in Q4 2020. Total gross profit increased to \$13.5 million, up 17% from \$11.5 million in Q1 2020, generally in line with revenue growth.



- Operating expenses increased to \$11.5 million, higher by \$0.5 million or 4% compared to \$11.0 million in Q1 fiscal 2020.
- Profit from operations was \$2.0 million, compared to \$0.5 million in Q1 2020.
- Profit was \$1.2 million or \$0.08 per share on a fully diluted basis in Q1 2021 compared to a loss of \$0.3 million or (\$0.02) per share for the same period in fiscal 2020.
- Adjusted EBITDAⁱⁱ was \$3.5 million in Q1 2021, up 76% compared to \$2.0 million in Q1 2020.

“The first quarter of fiscal 2021 represented a continuation of the positive trends set in the last fiscal year,” said Peter Brereton, president and CEO of Tecsys Inc. “This is our sixth straight quarter reporting record revenue which is particularly pleasing given the economic backdrop caused by the pandemic. We added another hospital network and saw major expansions and upgrades from our account base. We are also seeing robust growth in our pipeline of business which continues to set records for the company on a quarterly sequential basis.”

Mark Bentler, chief financial officer of Tecsys Inc., added, “We had significant sequential growth in SaaS revenue in Q1 2021, up 45% compared to Q4 2020 and up 121% versus Q1 2020. This is driving solid growth in overall recurring revenue which was our largest revenue stream for the quarter. In Q1 fiscal 2021, SaaS revenue represented 31% of our overall recurring revenue stream, up from 18% in the same quarter last year. We are pleased with this significant progress in our continued transition to SaaS.”

Results from operations	3 months ended		Trailing 12	
	July 31, 2020	July 31, 2019	months ended	months ended
			July 31, 2020	July 31, 2019
Total Revenue	\$ 28 091	\$ 24 250	\$ 108 696	\$ 84 417
Cloud, Maintenance and Subscription Revenue	12 253	9 782	43 529	34 073
Gross Profit	13 490	11 533	52 275	41 390
Gross Margin %	48%	48%	48%	49%
Operating Expenses	11 522	11 030	46 102	42 587
Op. Ex. As % of Revenue	41%	45%	42%	50%
Profit from Operations	1 968	503	6 173	(1 197)
Adjusted EBITDA ⁱⁱ	3 509	1 995	11 785	4 235
EPS basic	0.09	(0.02)	0.29	(0.08)
EPS diluted	0.08	(0.02)	0.28	(0.08)
License Bookings	461	393	4 786	5 364
SAAS ARR Bookings	2 370	380	10 748	2 008
Annual Recurring Revenue	49 293	38 348	49 293	38 348
Professional Services Backlog	38 060	22 229	38 060	22 229



On September 10, 2020 the Company declared a quarterly dividend of \$0.06 per share payable on October 9, 2020 to shareholders of record at the close of business on September 25, 2020.

Pursuant to the Canadian Income Tax Act, dividends paid by the Company to Canadian residents are considered to be “eligible” dividends.

First Quarter Fiscal 2021 Results Conference Call

Date: September 10, 2020

Time: 1:00pm

Phone number: (877) 308-2053 or (416) 641-6202

The call can be replayed until September 17, 2020 by calling:
(800) 558-5253 or (416) 626-4100 (access code: 21968469).

About Tecsys

Tecsys is a global provider of supply chain solutions that equip the borderless enterprise for growth. Organizations thrive when they have the software, technology and expertise to drive operational greatness and deliver on their brand promise. Spanning healthcare, retail, service parts, third-party logistics, and general wholesale high-volume distribution industries, Tecsys delivers dynamic and powerful solutions for warehouse management, distribution and transportation management, supply management at point of use, retail order management, as well as complete financial management and analytics solutions. Tecsys' shares are listed on the Toronto Stock Exchange under the ticker symbol TCS. For more information on Tecsys, visit www.tecsys.com.

Contact

- **Solutions and General info:** info@tecsys.com
- **Investor Relations:** investor@tecsys.com
- **Public Relations:** adam.polka@tecsys.com
- **By phone:** (514) 866-0001 or (800) 922-8649



Forward Looking Statements

The statements in this news release relating to matters that are not historical fact are forward looking statements that are based on management's beliefs and assumptions. Such statements are not guarantees of future performance and are subject to a number of uncertainties, including but not limited to future economic conditions, the markets that Tecsys Inc. serves, the actions of competitors, major new technological trends, and other factors beyond the control of Tecsys Inc., which could cause actual results to differ materially from such statements. More information about the risks and uncertainties associated with Tecsys Inc.'s business can be found in the MD&A section of the Company's annual report and annual information form for the fiscal year ended April 30, 2020. These documents have been filed with the Canadian securities commissions and are available on our website (www.tecsys.com) and on SEDAR (www.sedar.com).

Copyright © Tecsys Inc. 2020. All names, trademarks, products, and services mentioned are registered or unregistered trademarks of their respective owners.

ⁱ See Key Performance Indicators in Management's Discussion and Analysis of the Q1 2021 Financial Statements.

ⁱⁱ See Non-IFRS Performance Measures in Management's Discussion and Analysis of the Q1 2021 Financial Statements.

Non-IFRS Measures

Reconciliation of EBITDA and Adjusted EBITDA

The terms and definitions of the non-GAAP measure used in this MD&A and a reconciliation of the non-GAAP measure to the most directly comparable GAAP measure are provided below. These non-GAAP measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, they should not be considered in isolation.

EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before stock-based compensation and restructuring costs. The Company believes that these measures are commonly used by investors and analysts to measure a company's performance, its ability to service debt and to meet other payment obligations, or as a common valuation measurement.

The EBITDA and Adjusted EBITDA calculation for three months ended July 31, 2020 and July 31, 2019 derived from IFRS measures in the Company's Consolidated financial statements, is as follows:



	Three months ended July 31, 2020	Three months ended July 31, 2019
Profit (loss) for the period	\$ 1,235	\$ (267)
Adjustments for:		
Depreciation of property and equipment and right-of-use assets	533	477
Amortization of deferred development costs	103	162
Amortization of other intangible assets	408	413
Interest expense	276	282
Interest income	(50)	(29)
Income taxes	735	349
EBITDA	\$ 3,240	\$ 1,387
Adjustments for:		
Stock based compensation	269	188
Restructuring costs	-	420
Adjusted EBITDA	\$ 3,509	\$ 1,995



Condensed Interim Consolidated Statements of Financial Position
 As at July 31, 2020 and April 30, 2020
 (Unaudited)
 (in thousands of Canadian dollars)

	July 31, 2020	April 30, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 15,932	\$ 27,528
Short-term investments	20,020	10,000
Accounts receivable	17,451	18,434
Work in progress	1,154	837
Other receivables	2,840	1,633
Tax credits	5,111	4,162
Inventory	599	634
Prepaid expenses	4,574	3,778
Total current assets	67,681	67,006
Non-current assets		
Other long-term receivables	356	350
Tax credits	4,739	4,624
Property and equipment	2,602	2,823
Right-of-use assets	8,022	8,234
Contract acquisition costs	2,519	2,324
Deferred development costs	1,106	1,103
Other intangible assets	13,852	13,401
Goodwill	17,861	17,540
Deferred tax assets	7,025	7,028
Total non-current assets	58,082	57,427
Total assets	\$ 125,763	\$ 124,433
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 17,241	\$ 19,933
Deferred revenue	18,165	16,163
Current portion of long-term debt	1,231	1,231
Other current liabilities	4,809	4,670
Lease obligations	920	922
Total current liabilities	42,366	42,919
Non-current liabilities		
Long-term debt	9,300	9,600
Deferred tax liabilities	1,716	1,638
Lease obligations	8,961	9,157
Total non-current liabilities	19,977	20,395
Total liabilities	62,343	63,314
Equity		
Share capital	40,901	40,901
Contributed surplus	11,233	10,964
Retained earnings	9,208	8,838
Accumulated other comprehensive income	2,078	416
Total equity attributable to the owners of the Company	63,420	61,119
Total liabilities and equity	\$ 125,763	\$ 124,433



Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
 Three-month periods ended July 31, 2020 and 2019
 (Unaudited)
 (in thousands of Canadian dollars, except per share data)

	July 31, 2020	July 31, 2019
Revenue:		
Proprietary products	\$ 644	\$ 444
Third-party products	3,982	3,652
Cloud, maintenance and subscription	12,253	9,782
Professional services	11,192	9,742
Reimbursable expenses	20	630
Total revenue	28,091	24,250
Cost of revenue:		
Products	3,242	2,962
Services	11,339	9,125
Reimbursable expenses	20	630
Total cost of revenue	14,601	12,717
Gross profit	13,490	11,533
Operating expenses:		
Sales and marketing	4,997	4,508
General and administration	2,426	2,384
Research and development, net of tax credits	4,099	3,718
Restructuring costs	-	420
Total operating expenses	11,522	11,030
Profit from operations	1,968	503
Net finance (income) costs	(2)	421
Profit before income taxes	1,970	82
Income tax expense	735	349
Profit (loss) attributable to the owners of the Company	\$ 1,235	\$ (267)
Other comprehensive income (loss):		
Effective portion of changes in fair value on designated revenue hedges	1,109	136
Exchange differences on translation of foreign operations	553	(357)
Comprehensive income (loss) attributable to the owners of the Company	\$ 2,897	\$ (488)
Basic earnings (loss) per common share	\$ 0.09	\$ (0.02)
Diluted earnings (loss) per common share	\$ 0.08	\$ (0.02)



Condensed Interim Consolidated Statements of Cash Flows
 Three-month periods ended July 31, 2020 and 2019
 (Unaudited)
 (in thousands of Canadian dollars)

	July 31, 2020	July 31, 2019
Cash flows from operating activities:		
Profit (loss) for the period	\$ 1,235	\$ (267)
Adjustments for:		
Depreciation of property and equipment and right-of-use-assets	533	477
Amortization of deferred development costs	103	162
Amortization of other intangible assets	408	413
Net finance (income) costs	(2)	421
Unrealized foreign exchange and other	(239)	(252)
Non-refundable tax credits	(309)	(236)
Stock-based compensation	269	188
Income taxes	724	349
Net cash from operating activities excluding changes in non-cash working capital items related to operations	2,722	1,255
Accounts receivable	1,075	1,756
Work in progress	(307)	139
Other receivables	(216)	(714)
Tax credits	(755)	(691)
Inventory	41	14
Prepaid expenses	(789)	(184)
Contract acquisition costs	(195)	(249)
Accounts payable and accrued liabilities	(3,810)	(1,382)
Deferred revenue	1,969	(463)
Changes in non-cash working capital items related to operations	(2,987)	(1,774)
Net cash used in operating activities	(265)	(519)
Cash flows from financing activities:		
Repayment of long-term debt	(300)	(236)
Payment of lease obligations	(253)	(242)
Interest paid	(168)	(241)
Net cash used in financing activities	(721)	(719)
Cash flows from investing activities:		
Purchase of short-term investments	(10,000)	-
Interest received	50	29
Acquisitions of property and equipment	(49)	(127)
Acquisitions of other intangible assets	(505)	(63)
Deferred development costs	(106)	(166)
Net cash used in investing activities	(10,610)	(327)
Net decrease in cash and cash equivalents during the period	(11,596)	(1,565)
Cash and cash equivalents - beginning of period	27,528	14,913
Cash and cash equivalents - end of period	\$ 15,932	\$ 13,348



Condensed Interim Consolidated Statements of Changes in Equity
 Three-month periods ended July 31, 2020 and 2019
 (Unaudited)
 (in thousands of Canadian dollars, except number of shares)

	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total	
	Note	Number					Amount
Balance, April 30, 2020		14,416,543	40,901	10,964	416	8,838	61,119
Profit for the period		-	-	-	-	1,235	1,235
Other comprehensive income for the period:							
Effective portion of changes in fair value on designated revenue hedges		-	-	-	1,109	-	1,109
Exchange difference on translation of foreign operations		-	-	-	553	-	553
Stock-based Compensation		-	-	269	-	-	269
Total comprehensive income for the period		-	-	269	1,662	1,235	3,166
Dividends to equity owners		-	-	-	-	(865)	(865)
Total transactions with owners of the Company		-	-	-	-	(865)	(865)
Balance, July 31, 2020		14,416,543	\$ 40,901	\$ 11,233	\$ 2,078	\$ 9,208	\$ 63,420
Balance, April 30, 2019		13,082,376	\$ 19,144	\$ 9,943	\$ (207)	\$ 9,501	\$ 38,381
Loss for the period		-	-	-	-	(267)	(267)
Other comprehensive income (loss) for the period:							
Effective portion of changes in fair value on designated revenue hedges		-	-	-	136	-	136
Exchange difference on translation of foreign operations		-	-	-	(357)	-	(357)
Stock-based Compensation		-	-	188	-	-	188
Total comprehensive income (loss) for the period		-	-	188	(221)	(267)	(300)
Dividends to equity owners		-	-	-	-	(720)	(720)
Total transactions with owners of the Company		-	-	-	-	(720)	(720)
Balance, July 31, 2019		13,082,376	\$ 19,144	\$ 10,131	\$ (428)	\$ 8,514	\$ 37,361